

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

Docket No. 06-26

Respondent: Jimmie Wooten
Title: Senior Staff Consultant

REQUEST: Department of Telecommunications and Energy, Set #1

DATED: March 9, 2006

ITEM: DTE 1-1 Please provide a list of other states where Verizon operates that have implemented late payment charges for residential customers. For each state imposing a late charge, include 1) the amount of the late charge, 2) how a delinquent customer is defined, 3) the number of days a customer may be late before the late charge is levied, and 4) a comparison between the interest rate (or equivalent means of comparison) for residential late payment charges and business late payment charges.

REPLY:

1. Attachment 1 provides a list of the states where Verizon has implemented late payment charges for residence customers and the rate at which those late payment charges are assessed.
2. In Massachusetts, a delinquent customer is defined as a customer whose bill remains unpaid for at least 30 days after receipt of a bill. Verizon MA has not yet been able to determine the specific definition of delinquent customer in every other state.
3. In Massachusetts, Verizon residence customers will have a minimum of 25 days following the "pay by date" to render payment before they will incur a late payment charge. In any one month, the actual number of days is impacted by the number of non-business days in the billing cycle. In other states where Verizon assesses a late payment charge, residence customers have about three business days following the "pay by date" before they incur a late payment charge. Please see Verizon MA's Reply to DTE 1-10 for an illustration of the application of the Late Payment Charge for Verizon's residence customers in Massachusetts.
4. See item 1 above.

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ITEM: DTE 1-2 Please state whether Verizon intends to exempt any residential customers from imposition of the late payment charge. If so, provide a description of those customers.

REPLY:

As stated in Verizon MA's February 3, 2006 tariff filing, the following account types will be exempt from imposition of the residence late payment charge:

- "Final Bill" accounts – exclusive of late payment charges included in the final bill;
- Disputed amounts;
- Accounts on deferred payment arrangements

VZ #2

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Commonwealth of Massachusetts

Docket No. 06-26

Respondent: Jimmie Wooten
Title: Senior Staff Consultant

REQUEST: Department of Telecommunications and Energy, Set #1

DATED: March 9, 2006

ITEM: DTE 1-3 Please state whether Verizon intends to impose late payment charges on Lifeline and protected (i.e., seriously ill, elderly, personal emergency) customers, and if so, the reasons for not excluding those customer groups from the late payment charge.

REPLY: The tariff filed on February 3, 2006 does not exclude Lifeline or so called "protected" customers unless those customers meet the criteria as outlined in Verizon MA's Reply to DTE 1-2. VerizonMA's Lifeline customers receive a substantial discount on their telephone bill through participation in the Lifeline program. This, however, does not exempt those customers from the requirement that every customer has to pay his/her bills on time. Likewise, the so-called "protected" customers may be protected from disconnection of service for non-payment but their obligation to pay their bills on time is not changed.

VZ #3

**Verizon New England Inc.
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Docket No. 06-26

Respondent: Jimmie Wooten
Title: Senior Staff Consultant

REQUEST: Department of Telecommunications and Energy, Set #1

DATED: March 9, 2006

ITEM: DTE 1-4 Please state the percentage of delinquent customers (i.e., customers who do not pay their bills within 30 days of receipt of the bill) who are Lifeline and protected customers, respectively. Also state the actual number of Lifeline and protected customers, respectively, that do not pay their bills on time, on a monthly basis, from January 2005 to present.

REPLY: The information requested is not readily available. Verizon does not keep its customer billing records in a manner that would enable it to determine the information without an extensive special study.

VZ #4

**Verizon New England Inc.
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Commonwealth of Massachusetts

Docket No. 06-26

Respondent: Jimmie Wooten
Title: Senior Staff Consultant

REQUEST: Department of Telecommunications and Energy, Set #1

DATED: March 9, 2006

ITEM: DTE 1-5 Please state what impact, including financial impact, if any, an exclusion from the late payment charge for Lifeline and protected customers would have on Verizon.

REPLY: Verizon has not conducted an analysis that would evaluate the legal, customer relations, financial or any other impacts of such an exclusion.

VZ #5

**Verizon New England Inc.
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Docket No. 06-26

Respondent: Jimmie Wooten
Title: Senior Staff Consultant

REQUEST: Department of Telecommunications and Energy, Set #1

DATED: March 9, 2006

ITEM: DTE 1-6 Please quantify the increase in total charges that application of the late payment charge would have on Lifeline and protected customers, assuming those customers did not pay their bills for one month, three months, six months, and one year. For purposes of this hypothetical, assume that both groups of customers subscribed only to basic exchange service.

REPLY: The total cumulative impact of the late payment charge on Lifeline and protected customers, assuming they did not pay their bills as specified, are as follows:

| | 1-Month | 3-Months | 6-Months | 12-Months |
|-----------|---------|----------|----------|-----------|
| Life Line | \$0.00 | \$0.11 | \$0.46 | \$1.20 |
| Protected | \$0.00 | \$0.40 | \$1.63 | \$4.25 |

These cumulative late payment charges reflect charges for customers who purchase a residence dial tone line with unlimited local usage. In summary, if a Lifeline customer refused to pay his/her bill for an entire year, the proposed late payment charge for that entire year would be only \$1.20, an average of \$0.10 per month.

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DATED: March 9, 2006

ITEM: DTE 1-7 Please explain in detail why Verizon's proposed late payment charge to residential customers is higher than the current late payment charge for business customers.

REPLY: The rates charged for Business and Residence customers are often different and, as the Department has noted in Orders in several proceedings in the past, they are - and should be - based on market conditions. For example, the rate for a Residence dial tone line is \$12.70 while the comparable rate for a Business dial tone line is \$17.25. As with other carriers that apply residential late payment charges that the Department has found to be just and reasonable, Verizon MA's proposed charge is based on market conditions.

VZ #7

**Verizon New England Inc.
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Docket No. 06-26

Respondent: John Conroy
Title: Vice President, Regulatory

REQUEST: Department of Telecommunications and Energy, Set #1

DATED: March 9, 2006

ITEM: DTE 1-8 Please state whether Verizon would consider voluntarily lowering the residential late payment charge to be consistent with the business late payment charge.

REPLY: No. In fact, Verizon MA is currently evaluating changing the business late payment charge in accordance with the pricing freedoms granted Verizon MA by the Department's Order in D.T.E. 01-31.

VZ #8

**Verizon New England Inc.
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Docket No. 06-26

Respondent: John Conroy
Title: Vice President, Regulatory

REQUEST: Department of Telecommunications and Energy, Set #1

DATED: March 9, 2006

ITEM: DTE 1-9 Please explain why Verizon decided to introduce this charge now.

REPLY: In accordance with the pricing freedoms approved by the Department in D.T.E. 01-31, Verizon MA determined that the market justified the imposition of a late payment charge for residence customers. In its Order regarding Verizon MA's Alternative Regulation Plan, the Department was clear "we agree with Verizon that a continuation of pricing flexibility for Verizon's non-basic residential services is warranted. No party has provided any record evidence to support a departure from our current regulatory treatment of non-basic residential services, which has resulted in just and reasonable rates for these services, and we find that our telecommunications policy goals of continuity and simplicity would be best served by this approach. This pricing flexibility is consistent with our treatment of retail business services, in that these rates will continue to be set based on market forces." D.T.E. 01-31 Phase II Order at pp 85-86 (April 11, 2003).

As noted in Verizon MA's tariff transmittal letter dated February 3, 2006, the "introduction of a residence late payment charge is consistent with standard practices used by other telecommunications carriers in Massachusetts, such as Comcast and AT&T. Indeed, Verizon MA's proposed rate of 1.5% is the same as the rate applied by other competitive carriers, such as Comcast, to overdue residence customers."

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ITEM: DTE 1-10 The proposed tariff language states that a customer will be given 30 calendar days from the date of receipt of the bill to make payment in full. However, the proposed tariff language also states that the late payment charge will apply if payment is not received by the customer's next billing date. Please provide revised tariff language to clarify that no late payment charge will be imposed until the next billing that occurs after the customer has become delinquent.

REPLY: Verizon MA believes the proposed tariff is clear and, therefore, has not included any revised tariff language. The following example, which was provided to the Department, explains the process of applying the late payment charge to residence accounts:

If Verizon issues a customer bill on March 15, the customer is presumed to have received the bill 3 days later on March 18. The new charges from the March 15 bill are due on April 18, but the charges are unpaid. The customer's April bill issued on April 15, but because the April 15 bill was issued prior to the point at which the March 15 charges became delinquent, the late payment charge for the delinquent March 15 charges will not be reflected until the May 15 bill.

VZ #10